U.S. NewsWatch

Marketing news from regional centers across the country

PALM BEACH, FLA.—**The Palm Beach County tourism department** this week breaks a $1 million print campaign to boost summer occupancy. The ads, via the Martin Agency, Richmond, Va., target seven northeastern markets.

GREENFIELD, MASS.—**Tomsun Foods**, marketer of Jofu, a blend of tofu and fruit, will expand its four-market test to the rest of New England in June. Calet Hirsch Spector, New York, handles.

NEW YORK—**WMCA** today breaks its first tv spots in a decade as part of a $1.5 million campaign. Van Brunt & Co. handles.

DALLAS—**Pizza Inn** today introduces Fresh 'N Fried Chicken in five Springfield, Mo., outlets with a multimedia campaign via Lowe Marschalk, Houston.

ROCHESTER, N.Y.—**Jolt Cola Co.** is testing here a cola drink—which is sweetened by 100% sugar and has twice the caffeine of Coke and Pepsi. Jolt's $100,000 tv, radio and newspaper campaign,

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ADWATCH

BK ad recall keeps fading

McDonald's still eclipses foes

By JULIE FRANZ

McDonald's has opened another front in the burger wars and appears to have chief rival Burger King off guard.

After McDonald's McD.L.T. campaign trounced Burger King's much-maligned "Find Herb" campaign in advertising top-of-mind awareness, BK has been looking for a way to fight back at the cash register and in consumer recall. It had better hurry.

BK's ad awareness score took a dive last month, as the four-month "Herb" effort ended, dropping 7.7 percentage points to 15.3% of first mentions, according to ADVERTISING AGE's monthly adWatch survey of advertising awareness. McDonald's awareness score, on the other hand, gained 2.8 percentage points. Last month, 42.4% of the respondents asked to name the advertising for a fast-food restaurant that came to mind first said McDonald's.

AdWatch is a joint project of ADVERTISING AGE and SRI Research Center, Lincoln, Neb. Ad awareness is measured by asking a nationally projectable sample of consumers to name ads in a variety of product categories that first come to mind from all seen, heard or read in the previous 30 days.

In March, 1,000 adults were questioned by telephone. Under adWatch methodology, an increase or decrease of 2.8 percentage points is considered statistically significant and attributable to more than sample variation.

McDonald's in March shifted its advertising focus to its breakfast menu, which accounts for about 20% of sales. The ads, via Leo Burnett USA, Chicago, focus on the products' convenience, using the theme "Takin' breakfast by the hand." Similar ads via Burrell Advertising, Chicago, themed "Portable breakfast," are aimed at the black community.

Breakfast spots for Burger King broke in April, after the March adWatch survey had been completed.

BK also is running spots for its new Chicken Tenders, a chicken finger food aimed at stealing share from McDonald's Chicken McNuggets.

Rounding out the fast-food category in third place was Wendy's with 8.8% of first mentions; Hardee's finished in the No. 4 spot with 3.7%, and Pizza Hut's 1.4% of first mentions took fifth.

Despite the ad dollars, a significant percentage of respondents last month came up dry when asked which restaurant advertisement they recalled first: 17.3% of those queried responded "None" or "Don't know."

It may take another month for new advertising from Coca-Cola and Pepsi, the leading soft-drink marketers, to affect ad awareness scores in that category. New campaigns from both brands broke just before the March adWatch survey period, but too early to affect last month's outcome significantly.

Pepsi remains in the lead for the second month among soft-drink brands, with Coke again filling the No. 2 slot. Pepsi's share of first mentions rose slightly (and statistically insignificantly) to 33.5%, while Coke's score similarly inched up to 31.7%.

The 10 best recalled (unaided) ads in March were for, in descending order, Coca-Cola, Pepsi, McDonald's, Burger King, Budweiser/Bud Light, Miller/Miller Lite, Ford, *Sports Illustrated*, Chevrolet and Procter & Gamble's Pampers.

Sports Illustrated's appearance

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SOUTHERN CALIFORNIA'S BEST MARKET DOESN'T DISCRIMINATE

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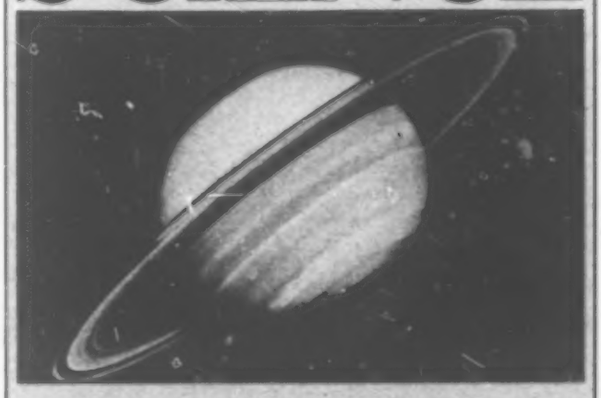

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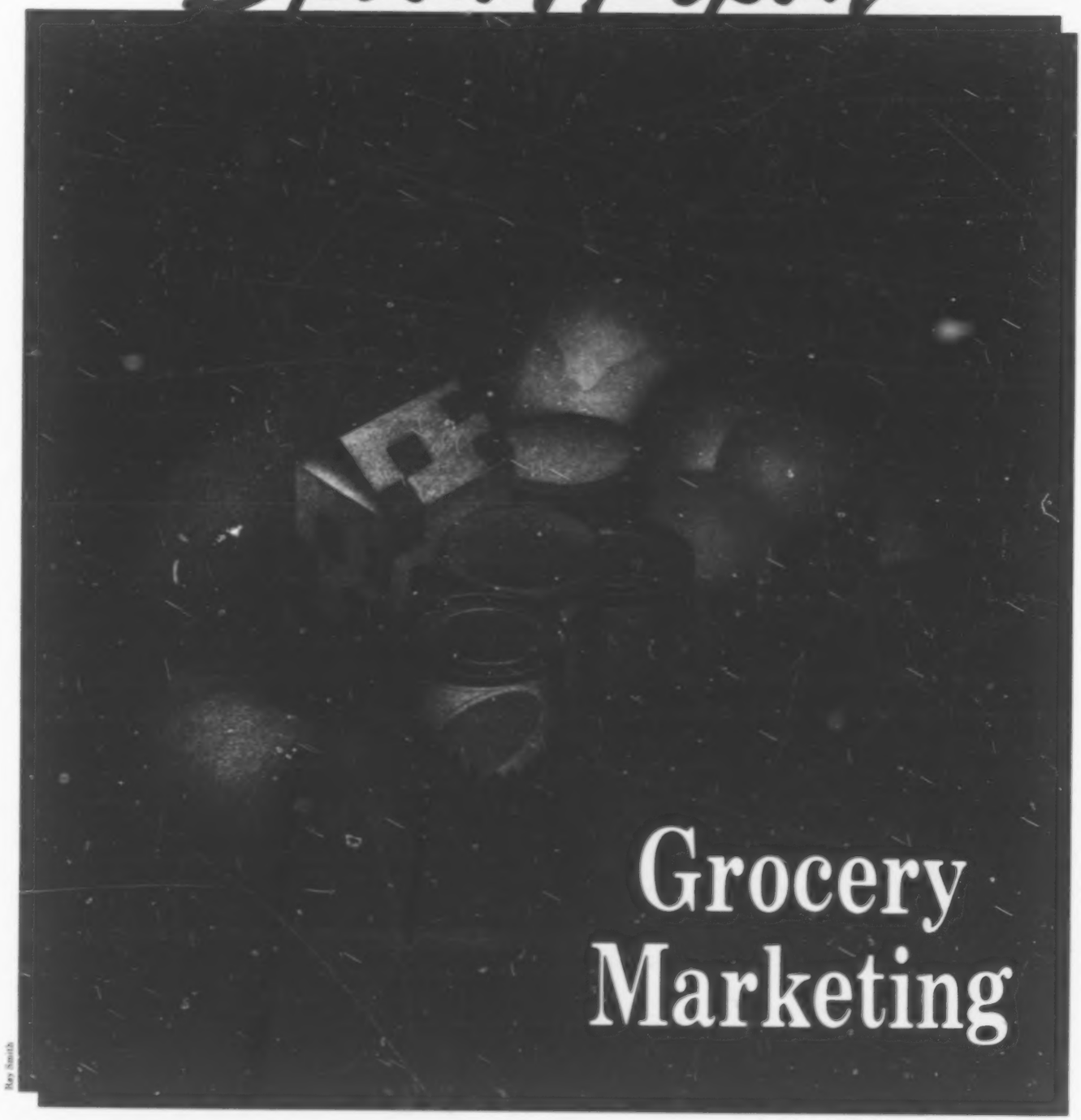


Ray Smith

Grocery Marketing

Supermarket chains work to fill tall order

By Julie Liesse Erickson

The next few years will determine if the retail grocery industry can have its cake and eat it too.

Or, more accurately, supermarket operators will find if they can have upscale perishables alongside low-price dry groceries.

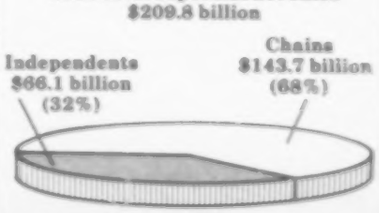
"In the 1950s and 1960s, a chain would create its prototype and open that cookie-cutter store all over its market," says Tim Hammonds, senior vp for the Food Marketing Institute, Washington. "In the '70s and early '80s, we saw the emergence of distinct formats—warehouse stores, gourmet stores, superstores.

"Now we are seeing the formats beginning to blend. Everyone's trying to provide warehouse-style dry groceries with upscale perishables."

It's a risky move for the conservative supermarket industry, which traditionally operates on slim profit margins. (*Progressive Grocer* magazine places the average supermarket's pretax profit at 1.8% in 1985.) But with U.S. population growth slowing and competition coming from everyone—from fast food to department stores to small specialty shops—retail grocers, particularly chains, more than ever need to meet the very specific needs of their customers on a market-by-market basis.

U.S. supermarket sales

1985 total supermarket sales $209.8 billion



Source: Food Marketing Institute

FMI, a trade association with 1,500 corporate members representing 18,000 retail outlets around the world, places 1985 industry sales at $290 billion, up marginally from the previous year. *Progressive Grocer* magazine figures an industrywide sales increase of 4.6% from 1984 to 1985.

Unlike some of its prime competitors for the consumer's food dollar—fast food and convenience stores, for example—the supermarket industry remains outside true chain domination. Figures from the U.S. Department of Agriculture show chains' share of grocery store dollars has remained virtually unchanged for 20 years. *Progressive Grocer* reports chains accounted for

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Chains work to fill tall order

(Continued from Page S-1)

49.4% of all U.S. food store sales in 1985—but 11.4% of the total number of retail food outlets. There are 154,000 food outlets in the U.S.; 30,500 of those are supermarkets.

The chain operator does have the advantage of a large base of capital. "It used to be that you could open a grocery store with very little capital of your own," says Ken Partch, editor and publication director for *Supermarket Business*, a Fieldmark Media publication based in New York. "That's just not true today. You need $5 million to $6 million, at the [high end], to open a superstore."

But although *Progressive Grocer* reports 64% of the nation's supermarket chains opened a new store in 1985, "All the big chains are looking at slower growth in an overstored environment," says Frank Pankyo, vp for the Food Institute, Fair Lawn, N.J. "Each chain is looking for a way to break out of the mold—into related fields, into a broader range of goods, including videocassette rental, lawn and garden equipment, liquor, expanded produce and restaurants.

"The ultimate question," he says, "is who is going to supply the needs of the American household?"

To be all things to all people, upscale chains, such as 33-store Randall's in Houston and 127-store Ralphs in Los Angeles, are trying to re-establish themselves as competitively priced. Meanwhile, chains that have made a living by advertising low prices and no-frills service, including Dublin, Cal.-based Lucky Stores and Elmwood Park, N.Y.-based Grand Union Co., are adding on-site bakeries and upscale meat departments. And it's almost taken for granted that each store will feature a selection of non-food departments: Pharmacies, floral shops, banking facilities and the like.

But Mr. Hammonds says it's not true that all supermarkets are destined to look alike. He points to another popular industry trend, what he calls "customizing for the neighborhood"; Safeway Stores, Oakland, Cal., for example, boasts of more than a dozen store formats.

"Where the stores will look different is in the size of their product selection and types of foods each offers," Mr. Hammonds says. "The U.S. is experiencing a celebration of ethnic diversity that isn't going to end soon."

New kinds of in-store service departments also will yield variety—thankfully, according to some observers. "The biggest event of the '80s is that service has come back to the supermarket," Mr. Partch says. "They reacted just in time—supermarkets had become very dull places to shop. There was a terrible sameness from coast to coast."

But although customizing will make stores more responsive to market conditions, it also will make the chain's job more difficult. "There was a time when you could open a grocery store and expect to be successful," says Larry Schaeffer, editorial director for *Progressive Grocer*, a Maclean Hunter Media trade publication based in Stamford, Conn. "Today, you have to make sure each store is positioned properly in its particular market.

"Niche marketing may be a cliche, but it's an accurate one."

In addition, Mr. Hammonds says, "Markets are very different. It's not enough to customize once."

But the traditional strength of a chain is producing similar stores over and over—of having a brand name that elicits certain expectations in the customer's mind. Can chains customize and still remain profitable? "The jury is still out on the flexibility of the chains," Mr. Hammonds says. "How do you manage different formats? Do you use the same name, the same management groups?

"The climate today requires that a very clear and consistent image be projected to consumers—and how do you manage that when you operate several different formats?"

"A customer wants to go to a Kroger or a Safeway and know what to expect," says Charles Handy, director of the U.S. Department of Agriculture's food distribution and marketing research section in Washington.

To clear up confusion over multiple formats under a single chain operator, Mr. Hammonds and others suggest the possibility of multiple brand names or a set of smaller chains under one corporate banner. Some chains already have experience with similar setups: American Stores Co. of Salt Lake City has four separate supermarket divisions, while others, including Giant Food of Landover, Md., operate distinctly different outlets under separate names.

Continuing image advertising campaigns is another way to let customers know what to expect. "Price advertising will always be the key in the supermarket industry, but image ads are getting people in your door," says Mark Pryor, editor of *Food People*, a trade publication covering the southern supermarket business from its Atlanta headquarters.

In early April, Winn-Dixie Stores of Jacksonville, Fla., for example, broke a new tv campaign designed to promote its stores' variety of products and how those products fit into individual shoppers' lives. The campaign represents a major change from the previous more generic, price-oriented ads.

Giant Food, Landover, Md., last fall introduced a series of tv spots that clearly shows customers what they'll find at Giant stores: Fresh fruits, vegetables and meats, plus concerned service and followups to customer comments.

These types of image campaigns reflect broader changes in supermarket advertising.

Supermarkets are tilting their media buys toward more tv ads, and, says Mr. Pryor, this might be at the expense of newspapers. *Progessive Grocer* reports 52% of chain supermarket managers in an early 1986 survey said their use of tv advertising was increasing; only 5% said they were using less tv. And while the magazine reported that only 6% of independent grocers were decreasing their use of tv ads, 11% said they were decreasing their use of newspaper ads.

In addition, Mr. Hammonds says, "The supermarket industry is moving away from manufacturer-driven advertising and toward customer-driven ads. Formerly, supermarket ads were driven by manufacturer allowances, or payments to retailers—resulting in the tombstone ad, with line after line of product names.

"Now you see local ads tailored to shoppers—more store image, more information, more general health and nutrition information.

"Increasingly, ads also feature just a few products, rather than the endless lists of yesteryear," Mr. Hammonds says.

This reflects what he calls "a more equal partnership emerging between manufacturers and retailers. In the past," he says, "customer demand was primarily created by manufacturers, with retailers the vehicle for that demand. Today, because of the information the retailer has and because the stores themselves have an image with consumers, the retailer has become an important consumer for the manufacturer."

Mr. Panyko is more direct. "Today, the flow of power is toward the wholesaler and retailer and away from the manufacturer. "With overstocked stores and scanning systems, the store has the information and the leverage."

But Mr. Handy points out that independent supermarkets have shared this new power with chain operators. "Big wholesalers like SuperValu and Wetterau have given the independent the same buying power and economies that chains have enjoyed," he says. "They provide independents with some of the support services usually found in a chain. And with the independent's lower labor cost, they have a big advantage."

"The relationship between manufacturers and retailers is fundamentally a very cooperative one," says Richard Bryan, vp of Glendinning Associates, Stamford, Conn.-based marketing consultants. "They know they have to work together to get products through the distribution system and out to consumers.

"But it's also an adversarial relationship," Mr. Bryan says. "The manufacturer wants to own the consumer's loyalty for his products, and the retailer wants the consumer to be loyal to his stores. There have been times when manufacturers had the upper hand, but that's not going on any more.

"Retailers, particularly the chains, definitely have strengthened their position."

Fast Facts

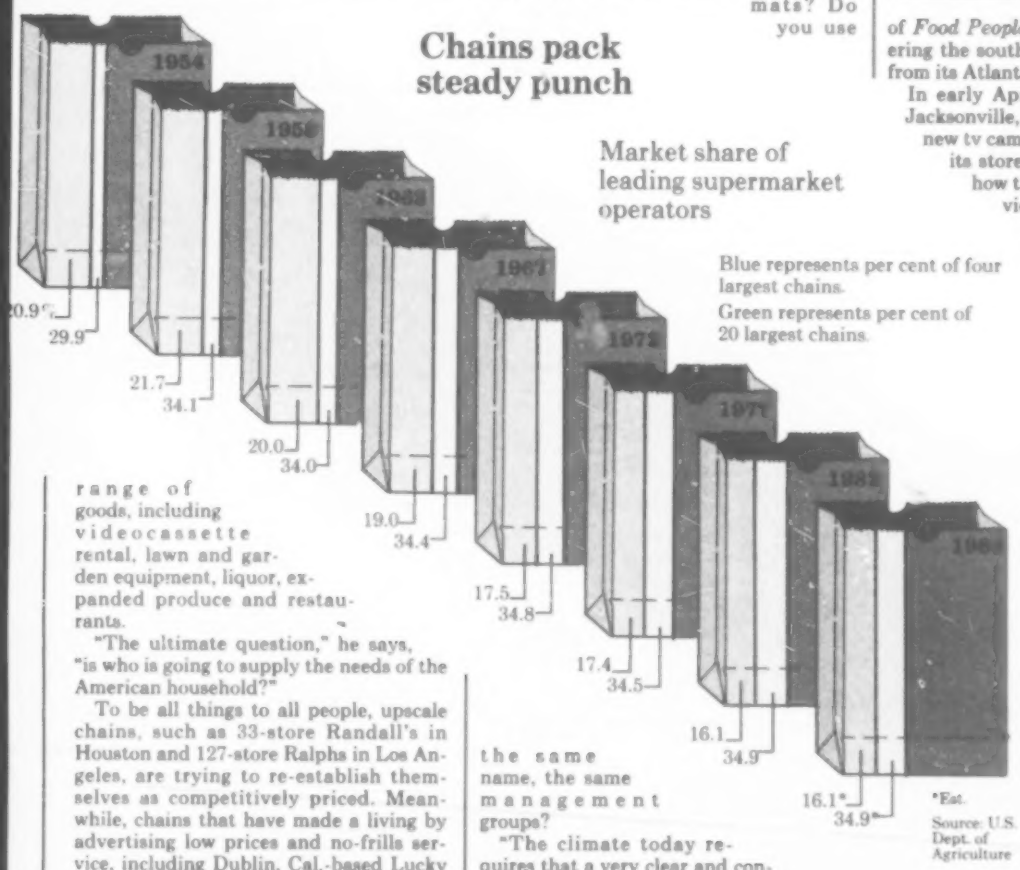
Grocery marketing

- The grocery industry had $300 billion in sales, roughly, (just over $290 billion) in 1985.
- Food store sales account for one-fifth of all retail store sales in U.S.
- Food stores employ 2.6 million people.
- There are 154,000 total food outlets.
- There are 30,500 supermarkets in U.S. (supermarkets are defined as full line food stores with sales of $2 million or more.)
- In 1984 the frozen food department percentage of total store sales averaged 8.1% while 6.6% of total store space was allocated to frozen items.

Source: Food Marketing Institute

Chains pack steady punch

Market share of leading supermarket operators



Blue represents per cent of four largest chains.

Green represents per cent of 20 largest chains.

*Est.

Source: U.S. Dept. of Agriculture

> ***"Each chain is looking for a way to break out of the mold—into related fields, into a broader range of goods, including videocassette rental, lawn and garden equipment . . . ."***
>
> **Frank Pankyo**
> **Food Institute**

Cars

(Continued from Page 3)

buyer segments."

Domestic auto marketers are trying to meet the competition by turning to "captive imports"—cars built by foreign companies for marketing here by domestic companies—from Japan, Germany and Mexico, and joint ventures with foreign-based companies, efforts that are blurring distinctions between domestics and imports.

The niche that many car marketers are looking to fill in the U.S. is the low end, a market segment that includes the 20 million people a year who now buy used cars at an average price of $5,200.

Leading a wave of new, low-end cars into the U.S. is the $3,990 Yugo, a car imported to fill the niche abandoned by the Japanese, who responded to import quotas by moving into higher segments of the market.

The Yugo ad strategy, via Rosenfeld, Sirowitz & Lawson, New York, attempts to position the car as a successor to the Ford Model T and Volkswagen Beetle, with the price tag a start on "the road back to sanity," according to the ads (AA, Aug. 26).

To tap this low-end market, Suzuki of America Automotive Corp., Brea, Cal., began selling the $6,200 Samurai, a jeep-like subcompact, on the West Coast in November (AA, July 8). Its Japanese parent, Suzuki Motor Co. Ltd., makes the three-cylinder Sprint for General Motors Corp.'s Chevrolet division.

Suzuki also plans to bring into the U.S. a version of the car for its own dealer network in 1988. The agency is Keye/Donna/Pearlstein, Los Angeles.

But some in the industry already are predicting that Hyundai Corp. and other Korean companies will dominate the low-end market in the same way that Japanese makers established themselves during the 1970s.

"I think the Japanese will resign the subcompact market to the Koreans," said Jim Harbour, president of Harbour & Associates, Detroit, a manufacturing management consultant.

U.S. importer Hyundai Motor America, Garden Grove, Cal., introduced the $4,995 Excel in February with a network of dealers in 31 states on the two coasts and through the Sunbelt, with a sales goal of 100,000 units in 1986. In March, the company's first full month, it sold 10,342 cars.

That one-month figure surpasses the total of 10,326 cars sold by Yugo since its August introduction through March. "We're still restricted by supply," said Dan Prior, senior vp-sales marketing for Yugo. "We have about 30,000 purchase orders unfilled."

One distinction between the two new importers is that Hyundai opened its U.S. marketing with nine versions of its Excel at different price levels, while Yugo entered the U.S. with only the Yugo GV, but plans to bring in three new models, including a two-seat sports car, by 1990.

Some contend that pricing of the new cars is deceptive. Options can add up to $1,000 to Yugo's $3,990 price, and transportation charges, dealer prep, taxes and title can bring the out-the-door cost to the mid-$5,000s. Early excitement about the product, coupled with its general unavailability, led some dealers to mark up the price several hundred more dollars.

Hyundai's entry was patterned after the typical Japanese strategy of offering a price leader that is not always readily available. While the four-speed manual transmission, five-door hatchback Excel comes

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The U.S. car market invasion

Marketers of foreign cars aiming to penetrate the U.S. market. Source: Advertising Age.

Vehicle Importer	Producer Origin	Intro date	Base price	Ad budget Agency
Yugo GV subcompact Yugo America Inc. Montvale, N.J.	Zavodi Crvena Zastava Yugoslavia	August 1985	$3,990	$ 8 million Rosenfeld, Sirowitz & Lawson
Hyundai Excel subcompact Hyundai Motor America Gardon Grove, Cal.	Hyundai Korea	February 1986	$4,995	$25 million Backer & Spielvogel
Acura, Legend and Integra America Honda Motor Co. Gardenia, Cal.	Honda Motor Co. Japan	March 1986	$9,300-$19,300	$15 million Ketchum Advertising
Suzuki Samurai Suzuki of America Automotive Brea, Cal.	Suzuki Motor Co. Japan	February 1986	$6,200	$10 million Keye/Donna/Pearlstein
Sterling Austin Rover Cars of North America Miami	Austin Rover Britain	Early 1987	$20,000	$20 million Beber Silverstein & Partners
Sesta APV utility Automotive Imports & Marketing Phoenix	Inthelco Greece	Middle 1986	$4,990	$ 3 million Goldsmith & Anscrge
Pinzgauer off-road vehicle Pinzgauer of America Telaford, Pa.	Steyr-Daimler-Puch, A.G. Austria	Fall 1986	$50,000	$ 1 million None yet
Range Rover station wagon Range Rover of North America Saddle Brook, N.J.	Land Rover Ltd. Britain	Late 1986	$40,000	$ 4 million None yet
Dacia No U.S. distributor	Auto Dacia Romania	Late 1986	$3,990 and up	$ 2 million None yet
Daihatsu Charade minicar Daihatsu Motor Co. Los Angeles, Ca. (planned)	Daihatsu-Kogyo Ltd. Japan	1987	Under $5,000	$ 7 million None yet
Skoda subcompact No U.S. distributor	Skoda Czechoslovakia	1987 or later	Under $5,000	$ 6 million None yet
Seat Malaga minicar No U.S. distributor	Seat Spain	1986 or later	Under $5,000	$ 7 million None yet
Lada 2108 minisedan Satra Corp. New York	Lada U.S.S.R.	1986 or later	Under $6,000	$ 4 million None yet
Citroen luxury sedan No U.S. distributor	Peugeot Citroen France	1986 or later	$20,000	$ 6 million None yet

Auto ad accounts moving fast

By JESSE SNYDER

DETROIT—Automobile accounts are up for grabs. Nearly $200 million in accounts has changed hands since November, and more changes may be coming.

Slowing sales and production overcapacity in the U.S. and Europe, a surge of new import entries in the U.S. market and account conflicts from the increasing number of international agency mergers all have contributed to accounts shifting.

"Some auto makers are repositioning and want fresh blood, some agencies are tempted to bail out on weak clients and some marketing executives who missed sales goals are under more pressure to produce," said one agency source. "It's sometimes easier to hire a [new] agency than take the rap yourself."

Domestic car makers are least affected, but U.S. ad shops are right in the thick of the action. Heightened competition also is putting a premium on agency executives with strong auto credentials and creating new opportunities for them.

HCM/New York is the most recent winner in the car-account sweepstakes, picking up the $15 million Peugeot Motors of America national account in competition against Angotti Thomas Hedge and Lord, Geller, Federico Einstein (AA, April 7). HCM already represents the French auto maker in nine other countries, including France.

The agency will pursue dealer group accounts that did not automatically come with the award from Peugeot's Lyndhurst, N.J.-based U.S. arm, says HCM president Robert Schmitterer.

Mr. Schmitterer added: "Great creative agencies are often built on great automotive accounts."

HCM replaces Ogilvy & Mather, which resigned Peugeot to pursue another car account, that Peugeot insiders say is Nissan but which Nissan and O&M deny.

For its part, HCM dumped Italian auto maker Alfa Romeo to pitch and win Peugeot. Both actions, observers say, reflect agency desires to move up in billings or prestige—another factor that is feeding the action here and abroad.

The current car-account shuffle began last fall, when American Motors Corp. pulled its $50 million AMC-Renault account from Grey Advertising and gave it to Saatchi & Saatchi Compton, Southfield, Mich., which already had AMC's $60 million Jeep account. Grey went on to win the $37 million Mitsubishi Motor Sales account away from Cunningham & Walsh.

In addition, executives at Dai Ichi Kikaku, a big Japanese agency partly owned by Mitsubishi Motor's parent company, now say they are going after the account in the U.S.

Jaguar Cars, Leonia, N.J., is looking for a new agency for its $16 million-to-$20 million U.S. account because of a client conflict at incumbent Bozell, Jacobs, Kenyon & Eckhardt (AA, March 13).

The agency already handles Chrysler-Plymouth, which plans to begin marketing a Maserati-built Chrysler $25,000 two-seater in early 1987.

And Alfa Romeo, which already has cleaned house, still is looking for an agency for its $15 million pan-European account. It replaced Marshall Advertising, a London subsidiary of DMB&B, with Swiss-based GGK, London, on the $3 million U.K. account and split the $15 million Italian account between Alberto Cremona, ODC and Mac. CBC previously handled.

In the U.S., Alfa picked Bloom to handle the account HCM resigned. The car maker says the account will grow to $8 million or $10 million with a new sedan being introduced; HCM has described it as a $2 million account.

Last month, Young & Rubicam won $40 million in billings for Ford of Germany, Cologne, replacing incumbent J. Walter Thompson Co., and General Motors' subsidiary Adam Opel moved its $24 million-to-$26 million German account from McCann-Erickson to fellow Interpublic Group shop Troost Lowe-Marschalk without a formal review.

Y&R also is gunning for the $30 million Ford account in the U.K., now at O&M (AA, April 7).

The only real crack on the domestic front was forced in early 1984 by Vic Olesen & Partners, Los Angeles, which won a $10 million California-only Chevrolet account from Campbell-Ewald.

The active market is opening doors for agency executives with strong automotive account records.

Among recent personnel shifts: Joe Schulte, head of JWT/USA's Detroit office, recently moved to New York, where he will oversee parent J. Walter Thompson Co.'s worldwide Ford business; Willie Hopkins, top-level account supervisor on Audi at Doyle Dane Bernbach, Troy, Mich., heading up a new Los Angeles office for Backer & Spielvogel on Hyundai, Korea's entry into U.S. markets, and Dick Johnson, head creative on Dodge trucks at BBDO, Southfield, Mich., to head creative at S&SC, Southfield, Mich.

Many shops, however, seem oblivious to the turmoil. Campbell-Ewald is celebrating 75 years with Chevy this year and D'Arcy or its predecessor has now held tight to Cadillac and Pontiac accounts for more than 50 years. They've outlasted the seven-year norm in an industry that seems to be getting the itch more and more frequently.

Cars

(Continued from Page 66)

in at $4,995, the price escalates to $5,895 for the next lowest-price version (with a five-speed manual transmission) and to $6,915 for the Excel GLS four-door sedan with automatic transmission. Options can add another $1,400. With freight, title and taxes, plus dealer markups that are common in many West Coast markets, it can cost up to $10,000 to take an Excel out the door.

Jack Collins, director of marketing, said Hyundai sees the sale of low-end cars as "fundamentally incremental to the marketplace.

"The opportunity is evident for entry-level autos because of the escalation of prices in general. We're just not sure how deep the water is."

J.D. Power & Associates, Westlake Village, Cal., predicts the market for low-end vehicles (less than $5,500, based on current dollar value) will reach 800,000 to 1 million by 1990. Yugo officials suggested the number could go as high as 1.5 million by then.

The crowding of the marketplace is affecting attempts to position the cars.

A J.D. Power study said, "With so many alternatives from which to choose, the consumer will be seeking information that will simplify a complex decision process involving the expenditure of a great deal of money. Each manufacturer will be increasingly competing for attention during a time when image, reputation and value will be more important to consumers," the report said.

Mr. Collins said Hyundai approached its ad campaign with the conviction that "the Korean heritage is not a liability. It's not that Korea has a bad image, but that it has no image." Excel's Korean heritage isn't mentioned in the current campaign, via Backer & Spielvogel, Huntington Beach, Cal., which uses the theme line "Hyundai. Cars that make sense" (AA, Jan. 20).

Hyundai preintroductory advertising tried to build corporate credibility and pique consumer interest by focusing on the company's international standing in the shipbuilding and locomotive manufacturing industries.

While most Americans hadn't heard of Hyundai Corp., it is South Korea's largest company, and the 37th-largest multinational conglomerate worldwide.

Others bringing low-end vehicles to the U.S. market have not indicated yet how those cars will be positioned:

- Inthelco, a West German company, is building the utility vehicle Desta in Greece, using Ford of Europe components, although production eventually is to be moved to Germany. Six models, starting at $4,990, will be introduced on the East Coast in mid-June by Desta of America (East), Bricktown, N.J., the first distributor appointed by importer Automotive Imports & Marketing, Phoenix. Sales goal is 20,000 to 25,000 units the first year, with an eventual objective of more than 100,000. Goldsmith & Ansorge, Red Bank, N.J., handles.
- Daihatsu Motor Co., the only one of Japan's nine auto manufacturers not yet in the U.S. market, plans to begin exporting its minicar, the Charade, in the fall of 1987 (AA, July 11). The front-wheel-drive Charade is sold in two-door and four-door hatchback versions in Japan. Daihatsu is expected to set up a subsidiary, Daihatsu of America, on the West Coast that will begin establishing a marketing network later this year. No agency has been selected.
- Volkswagen United States will try to recapture the entry-level market that its Beetle once dominated by importing two VW-made entry-level models from Brazil for the 1987 model year. Doyle Dane Bernbach, Troy, Mich., handles.
- Czechoslovakian maker Skoda has marketed a minicar in Canada since 1983 and is reportedly considering entering the U.S.
- Romanian maker Auto Dacia is considering entry with one or more models, but three separate companies claim import rights, according to the trade journal *Automotive News*.
- Spanish car maker Seat (SAY-aht) is weighing entry of a low-cost car line. It also plans to bring in a sporty small car to compete with models such as the Honda Civic CRX by late 1988 or early 1989. That may be affected by its agreement to be acquired by Volkswagen AG, Wolfsburg, West Germany (AA, March 10).

While price is expected to be a part of the positioning of those vehicles, value probably will be even more important. Various studies suggest that most consumers, especially women (who on average buy smaller and lower-price cars than men do), are willing to pay slightly higher prices for increased reliability.

There is more activity at the upper end of the car market as well.

The Sterling, a collaborative project between Honda Motor Co. of Japan and the U.K.'s Austin Rover Group, will compete with $20,000-plus luxury sedans when it is introduced in the U.S. in 1987. Steyr-Daimler-Puch A.G., Austria, is building a national dealer organization for its $50,000-plus Pinzgauer, a five-passenger off-road vehicle scheduled to debut on the East Coast in late summer.

While the bottom end of the car market is price-driven, "at the upper end it's really a question of value retention," said Raymond Ketchledge, president, Austin Rover Cars of North America, Miami, which will import the Sterling to the U.S. beginning in January.

Mr. Ketchledge said Austin Rover received 600 applications for its 100 dealerships. "The level of interest is high, because this is a market segment that is expanding very dramatically," he said. "And the domestics have not succeeded in appealing to younger, affluent buyers."

Unlike Yugo, Suzuki and Hyundai, which began with regional distribution in the U.S. market, Austin Rover intends a national

(Continued on Page 68)

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Cars

(Continued from Page 67)

launch, Mr. Ketchledge said. "We want to provide a high level of customer assurance that we will be around for a long time and that they will be able to get service anywhere they travel," he said.

Sales goal is 20,000 to 22,000 units the first year. Beber Silverstein & Partners, Miami, handles the $20 million account.

French auto maker Citroen, which left the U.S. market more than a decade ago, is reportedly considering a return within a few years with its own new entry in the luxury-sedan category.

At $50,000, the Pinzgauer is being aimed at high-income sportsmen. Pinzgauer of America, Teleford, Pa., distributor for Austria's Steyr-Daimler-Puch, A.G., hopes to sell 500 of the all-terrain sports-utility vehicles beginning this summer and double that in 1987. There is no agency yet.

Even the Russians want a piece of the action. The Soviets are considering bringing their front-wheel-drive Lada to the U.S. in two years after testing the demand for it in Canada and Europe this summer (AA, Feb. 24). The base price is $7,000 (Canadian) in Canada.

All this activity will accelerate an industry trend toward fewer dealers, with the remaining ones more likely to carry several lines of products in separate showrooms. About 4,000 dealerships were closed during the down days of the industry in the early 1980s. The rate of decline has slowed in more recent years, and there were 24,750 U.S. dealers at the end of 1985.

Potential franchisees are lining up despite costly demands made by producers. When Honda created its new Acura division to enter the luxury-performance market, it demanded that its 50 start-up dealers ouild facilities at least 10 miles from their existing Honda dealerships. Hyundai required that its dealers provide separate showrooms on sites near interstate highways. Those sorts of demands favor representation by the wealthiest dealers, who thus continue to grow.

Auto analyst Maryann Keller, of Vilas-Fischer Associates Ltd., New York, said, "The success of the new marketers will hinge on the same things that determine success now: How the car holds up, who has the best dealer network and service system."#

ACT moves to Cambridge

CAMBRIDGE, MASS.—Action for Children's Television has moved to 20 University Rd., 02138. ACT previously had been based in Newtonville.

Citizen elects midprice niche

By LISA E. PHILLIPS

NEW YORK—Citizen Watch Co. of America last week broke its biggest U.S. campaign, a $15 million effort that will appear in an unusual arena for wristwatches: ABC-TV's "Wide World of Sports 25th Anniversary Special" (AA, April 21).

That kicks off Citizen's charge into the U.S. midprice watch market, dominated by Tokyo-based K. Hattori Corp.'s Lorus, Pulsar and Seiko brands, which have a combined market share exceeding 70%.

Citizen, via Levine, Huntley, Schmidt & Beaver, signed a $4 million deal this year for sponsorship of ABC sports events including th Kentucky Derby, Preakness, Indi anapolis 500 and 11 "Monday Nigh Football" games.

It also will be a network sponso of nine consecutive National Foot ball League football games o CBS-TV, beginning Nov. 11, an es timated $3.5 million buy.

A spring spot buy in more than 50 markets will increase for a fal gift-giving push because about 60% of watch purchases are gifts, said Steve Schindler, senior vp-management rep at the agency.

Even though more women than men buy watches, Citizen opted for sports events. "Sports programs tested better [recall] than prime time shows," said Tony DeGregorio, senior vp-associate creative director.

While any company not touting beer, razors, shaving cream or automobiles would stand out on tv sports shows, Citizen's new campaign is meant to stand out in the midprice $50-to-$300 segment.

Both spots in the new campaign, created by Mr. DeGregorio and Lee Garfinkel, senior vp-associate creative director-copywriter, show off several dress watches interspersed among quick-cut vignettes of beautiful, active people getting dressed for evening dates.

The action in each spot is backed by an Al Jolson imitator singing the 1920s song "About a Quarter to Nine" as men and women hurriedly go through their closets, change outfits and check their Citizen watches.

Voiceover on both spots proclaims: "They say time is what you make it. At Citizen, we prefer to make it beautiful." The commercials end with a logo and the tag line "Citizen. No other watch expresses time as beautifully."

Steve Horn, ADVERTISING AGE's 1985 Director of the Year, directed the Citizen spots and David Dee edited. Robert Nelson, senior vp-executive producer at LHS&B, produced; Mr. DeGregorio was art director, and Mr. Garfinkel, copywriter.#

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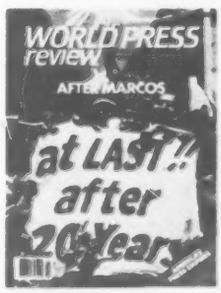

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Publication's ad revenue ruled taxable

Nonprofits lose tax battle

By STEVEN W. COLFORD

WASHINGTON—The Supreme Court last week left only a slight opening for nonprofit publishers to escape paying taxes on advertising revenues, but Congress may slam the door shut later this year.

In a ruling eagerly anticipated by both for-profit publishers and nonprofits (AA, Dec. 16), the justices unanimously overturned a lower court decision and ordered the tax-exempt American College of Physicians, Philadelphia, to pay taxes on ad revenue generated by its monthly magazine, *Annals of Internal Medicine*.

By rejecting the lower court's interpretation of a 1950 tax law, the justices pushed aside the argument that advertising in *Annals* should be tax-exempt because it directly furthered ACP's not-for-profit mission, the education of its 75,000 physician members.

Although the court declared ad income from *Annals* to be taxable, it did not accept the government's position that existing laws made ad revenues of all not-for-profit organizations taxable.

Writing for the court, Justice Thurgood Marshall left open the possibility that, with proper packaging, advertising in *Annals* might be judged educational and its revenue tax-exempt.

"By coordinating the content of the advertisements with the editorial content of the issue, or by publishing only advertisements reflecting new developments in the pharmaceutical market, for example, perhaps the college could satisfy the stringent standards erected by Congress and the Treasury," he said.

For-profit publishers, often locked in tough competitive battles with publications of nonprofit groups, have long contended that sheltering the income of professional and association publications from taxation gives those publishers an unfair advantage.

A House ways and means committee panel expects to review tax treatment of "unrelated business income" earned by nonprofits at hearings this year.

The significance of the ACP case was underscored by the interest in the case from the American Society of Assn. Executives here. If *Annals'* ad revenues had been found to be tax-exempt, the ASAE was prepared to ask that ad revenues from publications by its thousands of nonprofit member associations also be exempted.

The Supreme Court offers little encouragement to ASAE members, conceded James Albertine, director of government affairs. "I don't think the decision forecloses on the possibility that one can get an issue of relatedness [of advertising and the publication's educational, tax-exempt purpose] worked out," he said, "but it doesn't look all that great."

William O'Donnell, exec vp at the Assn. of Business Publishers, New York, which represents for-profit publications, said he believes the court ruling closes the issue.#

N.Y. poster trucks gear up

By LISA E. PHILLIPS

NEW YORK—Another fleet of trucks sporting standard outdoor-board-size posters takes to the streets of New York May 1, despite a vow by the city's transportation commissioner to ticket any vehicle obstructing or distracting traffic.

PosterMotion will have six trucks in New York, said Andrew Motion, president of the London-based company, and his standard 30-sheet-panel trucks also will arrive in Los Angeles by mid-June and in Chicago, San Francisco and Washington by October.

PM's trucks carry three panels—two concave, 10-by-22.8-ft. panels and one odd-size panel in the rear—all externally illuminated for 24-hour visibility.

They will be equipped with cellular telephones, in case an advertiser wants to change a driver's route. PM already has three advertisers lined up for May 1 and beyond, Mr. Motion said, though he declined to identify.

PosterMotion will be competing in New York against Vehicle Displays' Prestige Panels Inc. division, which currently has three trucks operating in New York, and Wheeler Inc. (AA, April 7). PM's rates match PPI's—$2,000 a week. Wheeler's 10 trucks cost $1,000 a week.

New York's transportation department has been getting complaints from drivers about the board-carrying trucks, which are "wider than a single lane" and refuse to travel faster than "two miles per hour" in Manhattan traffic, said Gregory Perrin, a spokesman for the department.

Tickets have been issued to drivers of those trucks, Mr. Perrin said.

A spokesman for Chicago's law department said that city has no laws against vehicles carrying advertising along city streets, "as long as they stay off boulevards"—such as Michigan Avenue and Lake Shore Drive—that are zoned against commercial traffic.#

AdWatch

(Continued from Page 4)

among the top 10 was a first for the magazine. Its "Catch the feeling" tv campaign attempts to put viewers in sports figures' shoes and has succeeded at the difficult task of making a lasting impression.

Nearly six out of ten respondents asked to name the first advertising in any category that came to mind couldn't recall any or answered "Don't know."

That includes 41% of those age 18 to 24 and 78% of respondents age 65 or older.

Among significant changes in other categories last month:

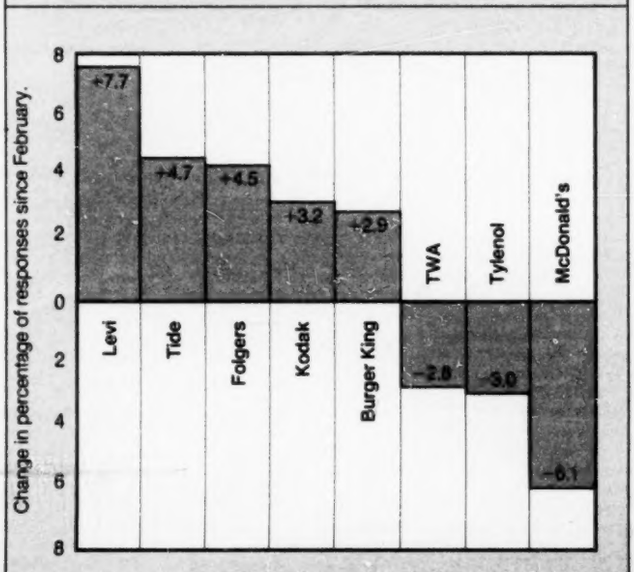
- Tylenol pain reliever dropped off the list of top-10 best recalled ads, but gained another three percentage points in the **medicine and drug** category. Tylenol's share of first mentions is now at 36.7%, its highest score *ever*. That follows the latest product-tampering incident that forced maker Johnson & Johnson to pull the product from the market and replace Tylenol capsules with caplets. Advil remains second with 5% of first mentions; Bayer is third with a 3.3% share.
- Trans World Airlines definitely is "leading the way" with its new campaign focusing on its foreign service. The carrier's share of first mentions in the **airline category** rose 6.1 percentage points, tying it for first place in first mentions at 13.4% with Eastern. United, second last month, drops to third with 12.6% of first mentions.

TWA's awareness gain came before the extensive news coverage that followed the explosion of a terrorist bomb aboard one of its jets flying between Rome and Athens.#

For additional information or data, contact Gary Gabelhouse, SRI Research Center, 301 S. 68th St., Lincoln, Neb. 68506. Phone: (402) 489-0351.

March winners and losers

Question: Of all the advertising for (product category) you have seen, heard or read in the past 30 days, which ad first comes to mind? Note: A change of plus or minus 2.8 percentage points is statistically significant. *Source: SRI Research Center Inc., Lincoln, Neb.*



For the Record

BBDO INTERNATIONAL, New York, reports first-quarter net income rose 16% to $4.9 million, as worldwide revenues gained 8% to $81.6 million. International revenues spurted 26% as U.S. revenues rose only 3%.

PIONEER ELECTRONICS CORP., Long Beach, Cal., has consolidated its $10 million-to-$12 million account at **Dancer Fitzgerald Sample**, Torrance, which previously handled only Pioneer audio products. The video portion had been at Altschiller Reitzfeld, New York.

SARA LEE CORP., Chicago, last week moved the $7 million creative portion of its Hillshire Farm smoked sausage account to **D'Arcy Masius Benton & Bowles** from Venet Advertising, New York, after a five-month review. Sive & Associates, Cincinnati, handles media placement.

JAGUAR CARS, Leonia, N.J., will back the June introduction of a limited-edition convertible version of its XJS V-12 touring coupe with a print campaign in upscale magazines. The effort will be the swan song for Bozell, Jacobs, Kenyon & Eckhardt, New York, which is leaving Jaguar because of a client conflict with Chrysler Corp. (AA, March 13). Jaguar is searching for a new agency for its $16 million-to-$20 million account but hasn't yet narrowed a broad list of applicants to finalists.

KETCHUM COMMUNICATIONS, Pittsburgh, is "rather constantly" considering Chicago, among other markets, for expansion, said chairman-ceo William Genge. He would neither confirm nor deny reports that Ketchum officials have met with Tatham-Laird & Kudner executives to discuss a possible buyout but said there was "nothing red-hot going on between Ketchum and anybody in Chicago."

DANCER FITZGERALD SAMPLE, New York, will close its five-person Minneapolis office after completing its work on the $25 million Republic Airlines account. Republic plans to be acquired for $884 million by St. Paul-based Northwest Orient Airlines, which will consolidate the combined account at its agency, Grey Advertising, New York (AA, March 31).

ALL BRAND IMPORTERS, New York, on May 1 breaks its first tv campaign for Foster's Australian Lager. It features actor-comedian Paul Hogan, star of the Australian tourism commercials. The $3 million effort starts in Los Angeles, with additional markets planned for January. Diener Hauser Bates, Los Angeles, handles, in conjunction with George Patterson Ltd., Melbourne, producer.

DART & KRAFT'S Kraft subsidiary, Glenview, Ill., on April 21 broke a $3 million tv and couponing campaign, featuring Sid Caesar, for its Light N' Lively cottage cheese. Ads for Light N' Lively ice milk and yogurt break May 21. Geers Gross, New York, handles.

KELLOGG CO., Battle Creek, Mich., will not halt advertising for its Just Right cereal in the wake of a product recall last week. Metal shards, later discovered to be from a construction site near the assembly line, had been found in boxes of the cereal. Leo Burnett USA, Chicago, handles.

THE FEDERAL TRADE COMMISSION has barred Figgie International, Richmond, Va., from making false safety claims for its Vanguard heat detector. The FTC ruled that point-of-purchase materials falsely claimed the Vanguard provides earlier warnings than smoke detectors and adequate time for escape. Figgie denied making false claims but has not yet decided whether to appeal. Dix & Eaton, Cleveland, handles Figgie.

YOO-HOO CHOCOLATE BEVERAGE CORP., Carlstadt, N.J., has won a preliminary round in its suit against A.J. Canfield Co., Chicago, over exclusive use of the term "chocolate fudge" in soft-drink packaging (AA, March 24). A U.S. district court judge in Newark has ruled in a bench opinion that the term "describes a taste or flavor" and no company should be granted the right to its exclusive use. A court date has yet to be set.

CHRYSLER CORP.'S Chrysler-Plymouth division, Highland Park, Mich., has bought what it calls the first-ever automotive ad package for thoroughbred horse-racing's Triple Crown, which starts May 3 with the Kentucky Derby. C-P bought four spots for the Derby and three each for the Preakness on May 17 and Belmont Stakes on June 7, all on ABC-TV. Bozell, Jacobs, Kenyon & Eckhardt, Birmingham, Mich., handles. Also, Chrysler Corp. will sponsor the inaugural Chrysler Cup Senior PGA tournament, matching eight U.S. golfers against a team of international players, Sept. 4 to 7. ABC will televise the final two rounds.

TELEVISION AUDIENCE ASSESSMENT, Boston, last week suspended its year-old qualitative tv rating service "until additional investment capital is secured," said TAA president Rolf Wulfsberg. In its final report, on daytime tv, TAA said its findings confirmed that "audience involvement with programs. . .enhances commercial effectiveness."

LBS COMMUNICATIONS, New York, has "major" expansion plans, going well beyond barter tv syndication. Paul Siegel, president of the LBS Enterprises division, will start Kideo Matinee to co-produce and market children's theatrical movies. LBS exec vp John Bohach will expand acquisition and marketing of home video titles, manage character licensing and head international tv barter sales. Senior vp-strategic planning Caroline Vanderlip will pursue direct-response marketing of video titles and opportunities in publishing and pay tv/cable/in-flight program sales.

WORTH NOTING: **C. Scott Rombach** to vp-corporate relations, a new post at Campbell Soup Co., Camden, N.J., from pr director. . .**July Guerin De Neco**, who has served on a volunteer basis as president and chairman of the Advertising Club of New York, has been named to the new post of executive director of the adclub and of the Advertising Club of New York Foundation, from head of Judy Guerin Public Relations/Advertising for the past 16 years. . .**Frank J. Corbett Inc.**, Chicago, has formed FJC Hospital Group. The unit already bills $8 million from St. Joseph Hospital, Phoenix, and Weiss Memorial Hospital, Chicago. . .Shareholders have approved **RJR Nabisco** as the new name of R.J. Reynolds Industries, reflecting its merger with Nabisco Brands last year. The company is based in Winston-Salem, N.C. . . .**National Distillers Co.**, New York, on May 1 introduces DeKuyper Original Harvest Pear schnapps, at $5.99 retail. BBDO supplies print and outdoor support for the line extension. . .**Procter & Gamble**, Cincinnati, has expanded distribution of Monchel beauty bar into the southeastern U.S., excluding Florida. Regional print ads from Grey Advertising, New York, position the bar as "the beauty bar that moisturizes within your skin, where softness begins."

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Advertising Age

Crain's International Newspaper of Marketing. In Two Sections, Section 1.

Bates OKs Saatchi talks

Fallout from BBDO megadeal: $180M departs

By STEWART ALTER

The expected ripple effect from BBDO International's stunning deal with Doyle Dane Bernbach Group and Needham Harper Worldwide (AA, April 28) quickly materialized last week, and dramatically plunged the agency business into a new era.

The superdeal, more significant because of the deeper industry changes it reflects than its impact on ad agency rankings, was followed quickly by a shift in Ted Bates Worldwide's position on a deal with Saatchi & Saatchi Co. that could immediately create the world's biggest agency group with $7.5 billion in billings—or 50% more than BBDO/DDB/Needham, assuming no client departures due to conflicts.

Saatchi, rebuffed when it presented its proposal to buy DDB at the same meeting in which the DDB board decided to go instead with BBDO and Needham, apparently wasted no time in returning to Bates.

Robert Jacoby, chairman of Bates Worldwide, which has $3.1 billion in billings, confirmed May 1 not only that Saatchi had approached him again last week, but that he is willing to talk. "They've expressed an interest in resuming negotiations and we will do so," Mr. Jacoby said through a spokeswoman.

There also were rumors—widespread in the industry but dismissed as "crazy" by Mr. Jacoby—that Bates was exploring a deal, possibly a sale, to Dentsu Inc., the Japan-based giant with $3.6 billion in billings whose only major presence outside Japan is a joint venture, DYR, with Young & Rubicam.

While Mr. Jacoby previously had acknowledged talks with Saatchi after they had broken down (AA, Dec. 16), this marks his first acknowledgment of active conversations. However, since he would only issue a confirmation through a spokesperson, it remains unclear whether he has changed his position on the Saatchi offer or whether he is merely meeting his legal responsibilities to the board by entertaining new proposals.

A Saatchi/Bates deal, which would follow this year's acquisition by Saatchi of Backer & Spielvogel and the phased acquisition of Dancer Fitzgerald Sample, would be an extraordinarily complicated deal, not only because of the number of client conflicts but their intensity as well.

There appears to be little doubt that the BBDO/DDB/Needham deal—referred to as "the Big Bang" at BBDO—has set the stage for similarly unprecedented megadeals.

"I think there will be one or two others. It's sort of an infection that gets into the air," said Edward Meyer, chairman of Grey Advertising, who said he was not interested in any such activity.

But if agency megadealing spreads, as it seems to be, it won't be because it's the chic thing to do but because accelerating changes in the advertising business within the last year have permanently and dramatically altered the thinking of agency managers.

Those changes and issues, which the chief executives of BBDO, DDB and Needham acknowledged explicitly as factors in their decision, include the following:

- The Saatchi brothers' acquisition strategy has rewritten the rules of the game and

(Continued on Page 90)

Agency supergroup architects Barry Loughrane (l.), Allen Rosenshine (c.) and Keith Reinhard cite "confidence in the concept."

"The Big Bang"

DDB Needham merger hits snags overseas. *Page 88.*

Conflicts shake loose $180 million in business. *Page 89.*

Needham's L.A. spinoff sparks acquisition overtures. *Page 89.*

DDB Needham combo could spawn $500 million network tv media-buying giant. *Page 89.*

A Bates/Saatchi merger full of client conflicts. *Page 91.*

Fox fourth Network plans pick up steam

By WAYNE WALLEY

Los Angeles—Only a few days ago, the ambitious plans of Rupert Murdoch and 20th Century Fox chairman-ceo Barry Diller to create a fourth tv network were being dismissed by almost every expert as fantastic folly.

But following the revelation last week that the Fox Broadcasting Co. will begin a phased rollout of a fourth-network in March of 1987 the heads of Hollywood studios, major tv station groups and big-budget advertisers immediately started lining up behind the network.

Peter Spengler, advertising director for Bristol-Myers, said, "I've set aside a substantial budget for the Fox network." Bristol-Myers in 1985 spent $127.6 million

(Continued on Page 91)

NEWSPAPER

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Last Minute News

Mickelberry, Ogilvy profits slip

New York—Mickelberry Corp.'s first quarter saw net income tumble 75% to $177,000 as revenues dropped 10.4% to $31.1 million. Ogilvy Group's net income fell 9.2% to $3.2 million; revenues rose 16.4% to $120.9 million.

Harris units review for $12M account

Atlanta—Harris Corp.'s Harris/Lanier computer and telephone systems divisions are reviewing agencies for their $10 million-to-$12 million account. Finalists include incumbent Foote, Cone & Belding, Chicago; the Martin Agency, Richmond, Va., and Atlanta agencies D'Arcy Masius Benton & Bowles; Fahlgren, Swink & Nucifero; Hutcheson Shutze; Scali McCabe Sloves South, and J. Walter Thompson USA.

Honda signs Davis, McMahon to push scooters

Gardena, Cal.—American Honda Motor Co.'s scooter division has signed jazz musician Miles Davis, Chicago Bears quarterback Jim McMahon and comedian Sandra Bernhard ("King of Comedy") for its new tv campaign breaking May 14. A tv spot began running May 4 for its new Helix scooter. Wieden & Kennedy, Portland, Ore., handles.

Cosmair slapped with Notorious lawsuit

St. Louis—Edison Brothers Stores has filed suit in federal district court in Chicago against Cosmair over the rights to the Notorious name for cosmetics and fragrances. New York-based Cosmair, which is introducing its Notorious fragrance to its sales force this month, bought the rights from

(Continued on Page 8)

Pepsi and Jackson in new link

By NANCY GIGES

Pepsi-Cola USA, Purchase, N.Y., this week will try to take the spotlight off rival Coca-Cola USA's centennial celebration by teaming up again with rock singer Michael Jackson in a deal reportedly worth $10 million.

At a press conference May 5, Pepsi will announce that Mr. Jackson will appear in Pepsi tv spots worldwide and go on a Pepsi-sponsored international tour (AA, April 28).

It is no coincidence that the No. 2 cola marketer has selected this week to tout the three-year, multi-

(Continued on Page 94)

HIGHLIGHTS

Crazy like Fox 1
The plans of Rupert Murdoch and 20th Century Fox chairman-ceo Barry Diller to create a fourth tv network had been dismissed by almost every expert. But following the revelation last week that Fox Broadcasting Co. will begin a phased rollout of a fourth network in March, the heads of studios, major tv station groups and big-budget advertisers started lining up behind it.

'Post' makes circulation news 3
The *Washington Post* eclipsed the *Chicago Tribune* for the No. 7 spot on U.S. newspaper circulation rankings for the six months ended March 31, according to the Audit Bureau of Circulations FAS-FAX report for the period released last week.

Life styles of Rich and famous 4
Lorimar-Telepictures entertainment president and co-founder Lee Rich, who resigned last week to become United Artists chairman-ceo, will spend the next month evaluating projects started by former UA chairman Jerry Weintraub.

Godfather's blesses JWT 12
A bit of "horse play" by J. Walter Thompson USA's Chicago office last week helped win the approximately $8 million Godfather's Pizza account. Omaha-based Godfather's, which last year became a unit of Pillsbury when the Minneapolis giant acquired Godfather's parent, Diversifoods, chose JWT from a four-agency field.

Volvo at your service 34
Volvo Cars of North America is beginning its own road-service program, joining other upscale auto importers that have concluded advertising just the car itself isn't enough.

A gamble for ad industry 77
A seemingly minor case argued last week before the Supreme Court could have major implications for the ad industry. At issue is a Puerto Rican law that bans advertising for casino gambling on that Caribbean island.

Computer retailers clash 83
IBM Corp.'s planned sale of its computer retail stores to Nynex Corp. dramatizes the hardening battle line between full-service and discount computer dealers. Retailers have split into two camps, with competing strategies for riding out the slump in personal computer sales.

FEATURES

The elements of Martin's style 40
Last year, Joel P. Martin acquired a new hair style. Out went the previous user-friendly, conservative coif; in came an angular wedge. It was decidedly more Grace Jones than Lena Horne. Accompanying the change in hair was a subtle alteration in wardrobe. Out went the tailored business suit; in came a more haute couture look. This makeover not only expressed a more individual fashion sense; it served as a signal to the white, male-dominated world of Madison Avenue that the black, female founder of New York agency J.P. Martin Associates was established and here to stay.

NEW PRODUCTS

Gum's the word 80
Warner-Lambert Co.'s American Chicle division has not let up on its desire to compete more effectively with Wm. Wrigley Jr. Co. in the sugared, stick chewing-gum market. The company has modified its old Chiclets brand name and come up with Sticklets sugared gum, according to a review of new products reported in Advertising Age last month. Also, Wrigley will see new competition from Minnetonka, which is introducing nationally its new Check-Up gum.

INTERNATIONAL

Guinness takes stout stance 60
Brewery giant Guinness Plc, the white-knight victor in an acrimonious takeover battle for Distillers Co. Ltd., is expected to inject more marketing savvy into Distillers' declining brand shares around the world. For Guinness, the $3.95 billion purchase represents the creation of a British-based international company strong enough to take on the international giants of the drinks business such as Seagram and Suntory.

McCann losing Swatch? 61
McCann-Erickson may be losing its three-year hold over the Swatch watch account in some European countries, just as it lost the business in the U.S. when Swatch moved its advertising in-house, industry sources say. McCann executives firmly deny the reports, saying the agency has negotiated a budget with Swatch and made initial marketing plans for 1987.

OTHER NEWS

Rambo, no longer a loner, has joined the counterterrorists. The heroic figure, put on toy-store shelves by Coleco Industries and on tv screens by WorldVision Enterprises, now heads the Forces of Freedom, locked in battle with the Secret Army of Vengeance & Global Evil. Page 6.

Pizza Inn, the nation's fourth-largest pizza chain, today begins a four-week sweepstakes promotion backed by a $1.5 million campaign themed "Pizza Inn family fun sweepstakes." Page 12.

Mitsubishi Motor Sales of America is speeding up plans to broaden its product line and triple sales by 1988 with cars manufactured in three countries. But '87 ads from new agency Grey Advertising will keep things simple. Page 35.

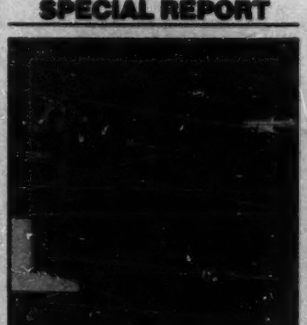
When Michael Pertschuk headed the Federal Trade Commission, he cultivated a reputation for being tough on tobacco, toy and alcohol marketers. Now, almost two years after leaving the agency that critics said became the "nation's nanny" under his direction, the 53-year-old Mr. Pertschuk is teaching others how to have the same effect on business. Page 38.

The sun falling from the sky in Sunoco's new $10 million campaign for Ultra gasoline may be an apt symbol for what is happening to the entire oil industry. But falling oil prices are good news for parent Sun Refining & Marketing Co., Philadelphia, and Wells, Rich, Greene, New York. Page 77.

RJR Nabisco, the $20 billion consumer products conglomerate formed by last year's merger between RJR Industries and Nabisco Brands, will spend a billion dollars on advertising in 1986, according to its chief financial officer. Page 84.

Major League Baseball will conduct its own All-Star Game fan balloting, minus a corporate sponsor, for the first time in 16 years, by using its 26 teams to promote the vote. Page 85.

SPECIAL REPORT



Sales incentives, especially travel and employe incentives, are growing steadily in the $60 billion sales-promotion industry. Travel incentives have been used to encourage dealers and sales staff, and the philosophy is spreading to cover more employes. Travel and employe incentives are two of the industry topics covered in Special Report.

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Saatchi exec says 'Yes' to Michigan

By RAYMOND SERAFIN

Southfield, Mich.—David Welch has been appointed president of Saatchi & Saatchi Compton's office here, a clear signal that Saatchi & Saatchi Worldwide is convinced client American Motors Corp. not only will survive, but thrive.

Mr. Welch has been deputy chairman of the London-based parent company. Saatchi has been looking for a top officer in Detroit since the former field service shop was expanded to full service last fall for client Jeep division. It was a gamble that paid off handsomely when AMC consolidated all its advertising for Renault-AMC and Jeep with Saatchi, dropping Grey Advertising.

AMC's U.S. media spending rose

(Continued on Page 93)

Beatrice sells Avis, cuts staff

By JULIE FRANZ

Chicago—Beatrice Cos. chairman Donald Kelly continued to swing his ax last week, selling off the Avis car-rental unit and, according to insiders, dismissing his 12-member corporate relations staff.

Mr. Kelly couldn't be reached for comment, but sources inside Beatrice said he decided the staff was superfluous now that the company is privately held, no longer will release quarterly income statements and thus has "no need to talk to the media."

The staff includes Mari Maseng, vp-director of corporate relations, and 10 support people. It's rumored Ms. Maseng will join the White House office of

(Continued on Page 93)

West Coast news

Growth is '86 goal for WS3A's

The Western States Advertising Agencies Assn. will intensify efforts to build membership in Southern California's Orange County during the next year, incoming WS3A's president Mel Newwhoff said prior to the organization's annual meeting May 1 to 4 in Rancho Mirage, Cal.

The president-creative director of Abert, Newhoff & Burr, Los Angeles, acknowledged that last year's drive to attract new members from the region south of Los

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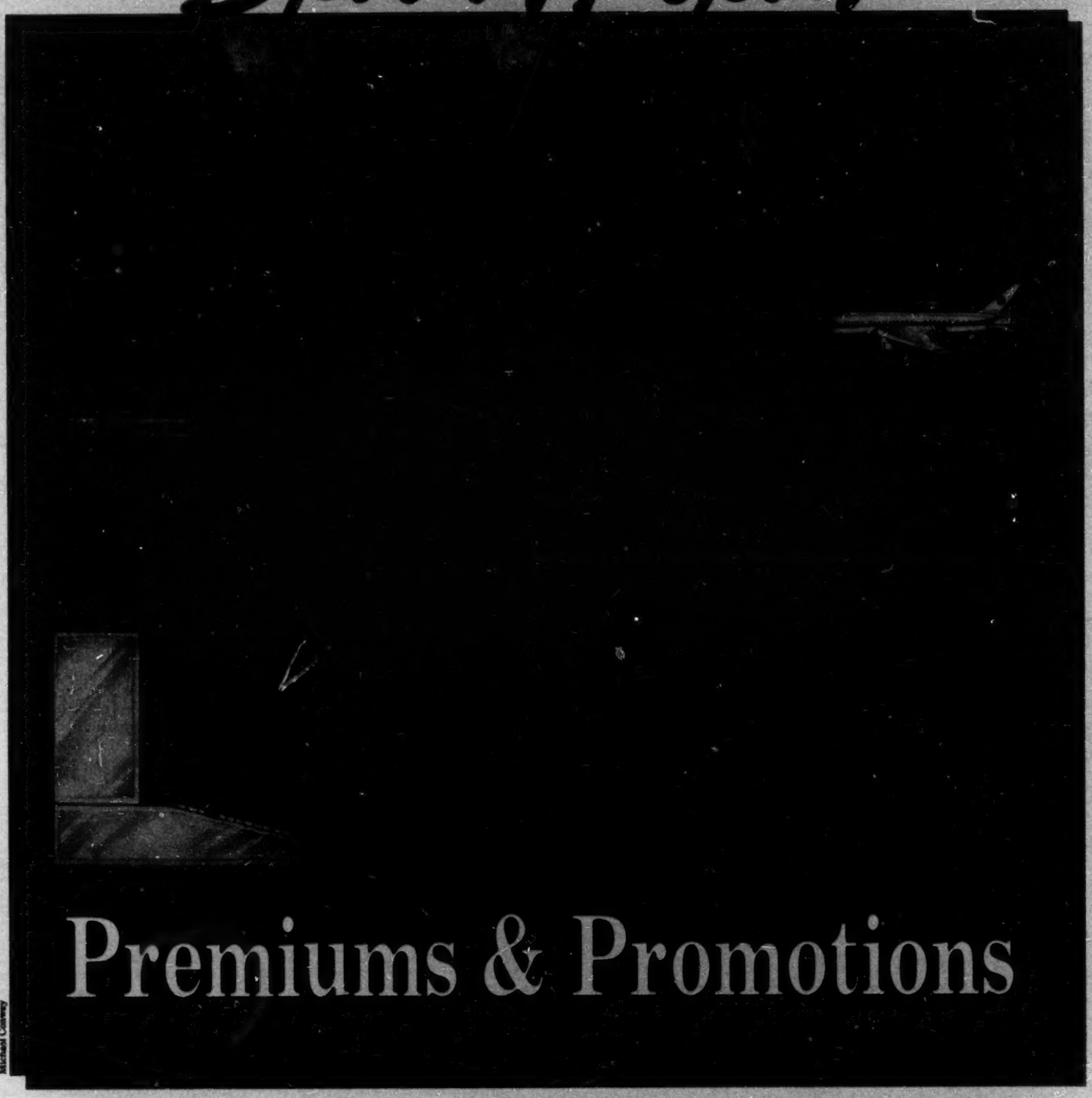
Special Report



Michael Conway

Premiums & Promotions

Employe incentives rising to top of industry

By Joanne Y. Cleaver

Promotion specialists are fond of saying, "There's nothing new under the sun, just different ways of doing the same old thing."

This year may prove them both right and wrong. The growth of the premium and incentive business—a major component of the $60 billion sales promotion industry—is slowing, industry experts say, but the sales incentive category, especially travel incentives and employe incentives, is growing steadily.

Travel incentives, a time-tested technique used to encourage dealers and sales staff, is the fastest growing category, according to New York-based *Incentive Marketing* magazine.

Joanne Y. Cleaver is a frequent contributor to Special Report.

Total travel expenditures for sales and dealer incentives in 1985 increased slightly more than 10% over 1984, to $1.6 billion.

Giving away free trips to hot salespeople is a technique in tune with traditional trade promotion philosophy—encourage sales by rewarding volume.

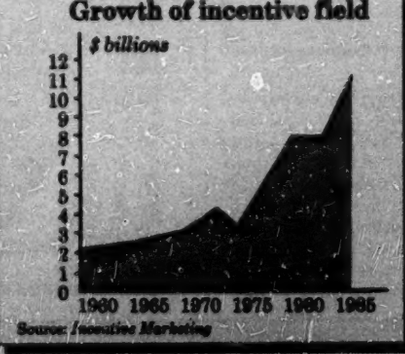
An emerging strategy is employe—not sales—incentives. These programs, which reward for success in several areas, are designed to reinforce, encourage and motivate all personnel, from manufacturing line workers to secretaries.

Employe incentives are now the hot topic in the promotion industry. Some expect the category to become as entrenched in American corporations as sales force incentives have been.

According to *Incentive Marketing* research based on reader polls, the entire premium and incentive industry grew 7.9% last year, to $12.8 billion. Travel was the only category to post double-digit growth. All areas—business to business, consumer, travel, merchandise and package goods promotions—grew more slowly last year than they did in 1984.

(Continued on Page S-2)

Growth of incentive field



Source: *Incentive Marketing*

Employe incentives rising to top

(Continued from Page S-1)

In that year, virtually every segment of the industry grew at least 11%, with several areas logging growth rates of 15% or more, according to the trade journal.

Another major trade publication in the field, New York-based *Premium/Incentive Business*, estimates promotional spending at more than $20 billion in 1985, up 6% from 1984. The magazine, using a reading survey, estimates spending on consumer promotions reached $6.5 billion in 1984.

Industry insiders say the slower growth is the result of marketers taking a more cautious and demanding attitude toward promotional activity. Likewise, consumers are more demanding and shopping among promotional offers.

> ***"More and more businesses are thinking in terms of incentives than ever before. Price reductions don't increase business for very long."***
>
> **Jay Thalheim**
> **Thalheim Expositions**

Jay Thalheim, president of Thalheim Expositions, the Manhasset, N.Y., company that organizes the annual Premium Incentive Show, says travel incentives are an important part of industry growth.

Total exhibitors at the Premium Incentive Show in New York, May 5-8, number 1,500, up from 1,204 in 1985, he says. Last year, travel-related exhibitors were included in those figures, but this year, the first Meetings and Incentive Travel Expo is being held jointly with the premium show and lists 300 exhibitors.

"More and more businesses are thinking in terms of incentives than ever before. Price reductions don't increase business for very long," Mr. Thalheim says. "Premiums have a much more lasting impact, and touch the entire family."

Mr. Thalheim also says incentives for all uses, business and consumer, are becoming more sophisticated.

"Computers, leisure clothing and sports apparel are strong segments," he says. "Furs, jewels, high-price watches that weren't previously offered are now used as a grand prize."

Other experts agree that various social and economic pressures are changing both the types of promotions and the way consumers are responding to them.

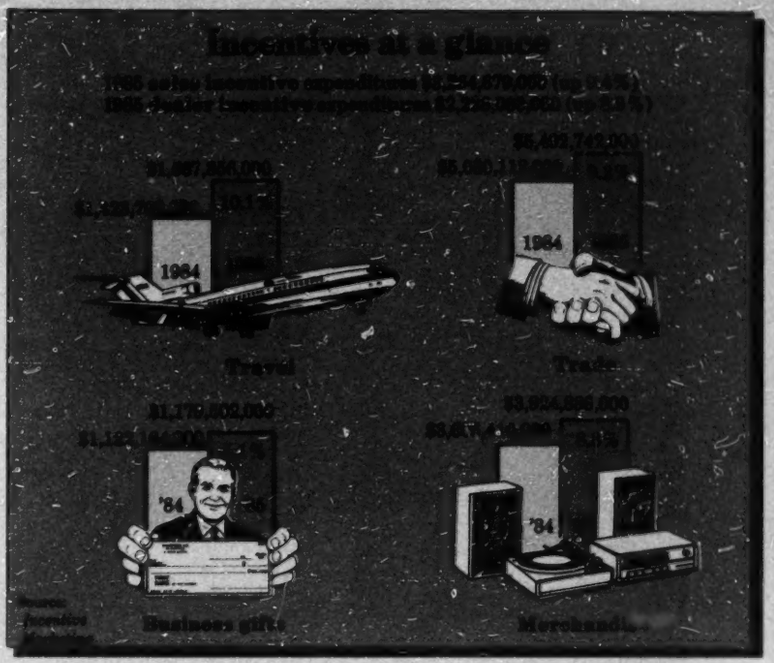
Widespread retail discounting has somewhat undermined the importance of self-liquidation and commonly available promotions. Consumers can shop around locally and often find a price as good as and sometimes better than that offered in a promotion.

Some items, like telephones, have been so aggressively marketed through all outlets and media that they are losing appeal as an attention-grabbing premium.

Consequently, marketers are more carefully considering the incentive item than they have in the past. Robert Brandon, president of Beaumont-Bennett/-Brandon, an Atlanta-based promotion agency and a subsidiary of Grey Advertising, detects a trend toward premiums that turn the consumer's attention back to the original product or service.

Items that are accessories to the primary product, such as a free printer with the purchase of a personal computer, reinforce the corporate or brand image in the consumer's mind, he says.

"I call them logical premiums," he says.



"It's an extension of the product itself. It's not something people will pick up because it's faddish. You don't just put your name on a Frisbee."

Marketers also are trying to develop continuity programs that become regularly featured in the product's over-all marketing strategy.

A few continuity programs have become so successful their marketers won't discuss them for fear of jeopardizing future promotions. McDonald's Corp., for example, will not discuss its Happy Meal promotion designed by Frankel & Co. in Chicago. The promotion started about eight years ago as a gimmick to lure children and their parents by featuring a small toy, book or token with a hamburger, drink and order of french fries in a specially designed box.

The Happy Meal since has developed into a regular product, and promotion industry observers cite it as an example of how a promotion can develop a long and successful life of its own.

Such continuity programs have a special appeal. Marketers have the opportunity to build on the promotion, says Allyn M. Miller, president of Flair Communications Agency in Chicago.

"Instead of idea shopping, marketers are interested in long-term, formalized planning. If you're just buying random ideas, you're missing consistency. And the likelihood of a marketer hitting on something that will drive business on a long-term basis is unlikely," he says. "You can't repeat everything. But if you have something that works, enhance it for the next year."

Flair has worked on several promotions that evolved into continuity programs. Stroh Brewery Co.'s campaign for Stroh's

(Continued on Page S-33)

Coupons and rebates attract consumers' attention

By Len Strazewski

Print ads that include or describe a sales promotion are more effective in generating brand awareness than nonpromotional advertising, says a study sponsored by Chicago-based Frankel & Co.

The study, conducted in 1984 and 1985 for Frankel, a marketing services agency, by Perception Research Services, Englewood Cliffs, N.J., tracked subjects' eye movements as they flipped through two magazines containing both general brand advertising and advertising featuring a promotion or special offer.

In the two magazine test cases, 84% and 85% of consumers tested became "involved" (spent more than a fleeting glance) with promotional advertising, and 81% and 83% saw the brand name advertised, compared with 84% and 79% becoming involved with nonpromotional advertising and 76% and 71% noticing the brand name, according to the study.

Promotional advertising also improves consumer attitudes about products more frequently and to a greater extent than general brand advertising, the study says.

While no more than 14% of subjects said the advertising changed their attitude about the advertised products, promotional advertising generated two to three times the change of ordinary advertising.

Of the tested promotional ads, coupons were the most likely to draw consumers' attention to the brand name—particularly when combined with rebates. However, sweepstakes, even when coupled with rebates, were the least likely to draw attention to the brand name.

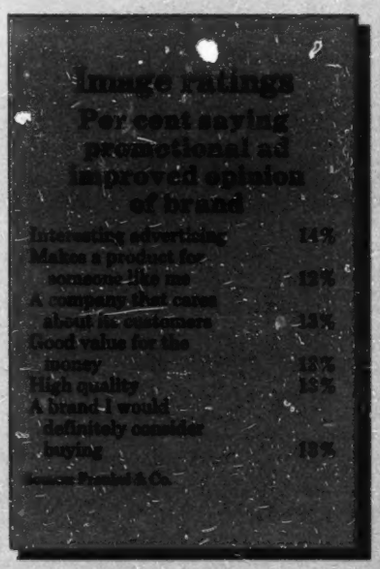


Image ratings
Per cent saying promotional ad improved opinion of brand
Interesting advertising 14%
Makes a product for someone like me 12%
A company that cares about its customers 12%
Good value for the money 12%
High quality 12%
A brand I would definitely consider buying 12%
Source: Frankel & Co.

About 84% of those tested became involved and recognized a brand name in ads involving a coupon and rebate offer, compared with only 80% involvement and recognition with coupon advertising alone.

A combination of coupon, rebate and sweepstakes generated only 79% involvement and recognition, and a coupon and sweepstakes generated only 72% recognition. Premium offers alone generated 79% involvement and recognition; rebates alone produced 78% involvement and recognition, and a free offer produced only 77% involvement and brand recognition.

Sweepstakes alone generated only 58% involvement and brand recognition, and even coupled with a rebate, sweepstakes were poor performers, producing 62% involvement and recognition.

Not all coupon advertising is equally effective. In general, the larger the cash offer of the coupon, the better recognition generated. In the two magazine test cases, 58% and 48% of respondents reported seeing a coupon offering 25 cents off, compared with 43% and 40% saying they saw a coupon offering less than 25 cents off.

The study noted some results that conflict with conventional wisdom about coupon advertising. Multiple coupons in a single medium are seen more often, but generate less involvement and less brand recognition, and coupons placed at the top of a magazine page are more likely to be seen by a consumer, but just as likely to generate involvement and brand recognition.

Coupon value

As the value of a coupon increases, the likelihood that it will be noticed also increases. In both magazine treatments, coupon values of 25¢ or more were much more likely to be seen than coupon values of less than 25¢.

Coupon value	Magazine A	Magazine B
Under 25¢	43%	40%
25¢	55	*
More than 25¢	58	48

VALUABLE COUPON

*only one example

Source: Frankel & Co.